

**COUNTY OF CALAVERAS**

**Management Report  
For the Year Ended June 30, 2009**

MGT. LTR.  
2/12/10

# COUNTY OF CALAVERAS

## Management Report For the Year Ended June 30, 2009

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GALLINA<sup>LLP</sup>

CERTIFIED PUBLIC ACCOUNTANTS

Board of Supervisors and Grand Jury  
of the County of Calaveras  
San Andreas, California

In planning and performing our audit of the basic financial statements of the County of Calaveras (County) for the fiscal year ended June 30, 2009, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, in prior year audits we became aware of opportunities to strengthen internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions and the status of our comments and suggestions concerning certain recommendations made in the County's prior year audits. We previously reported on the County's internal control in our report dated December 31, 2009. This letter does not affect our report dated December 31, 2009, on the financial statements of the County of Calaveras.

This report is intended for the use of management, the Board of Supervisors, the Grand Jury and officials of the federal and state grantor agencies and should not be used by anyone other than these specified parties.

We thank the County's staff for its cooperation during our audit.

A handwritten signature in black ink, appearing to read "Gallina LLP". The signature is written in a cursive, flowing style.

Roseville, California  
January 25, 2010

## COUNTY OF CALAVERAS

### Management Report Required Communication For the Year Ended June 30, 2009

To the Board of Supervisors  
Of the County of Calaveras

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the County of Calaveras (County) for the year ended June 30, 2009, and have issued our report thereon dated December 31, 2009. Professional standards require that we provide you with the following information related to our audit.

#### **The Auditor's Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter dated May 13, 2009, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

## COUNTY OF CALAVERAS

### Management Report Required Communication For the Year Ended June 30, 2009

#### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated May 13, 2009.

#### **Qualitative Aspects of Accounting Practices**

##### *Significant Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

##### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

- Actuarial valuations of the other post-employment benefits liability: Management's estimate is derived from actuarial valuations obtained from experts. We agreed the other post-employment benefits liability reported in the financial statements to those reported in actuarial report prepared for the year being audited.
- Actuarial valuations of the claims liability: Management's estimate is derived from actuarial valuations obtained from experts. We agreed the claims liability reported in the financial statements to those reported in actuarial reports prepared and issued during the year being audited.
- Liability for solid waste landfill closure and postclosure costs: Management's estimate is based on engineering estimates of future costs to be incurred. We reviewed the engineer's estimate.

## **COUNTY OF CALAVERAS**

### **Management Report Required Communication For the Year Ended June 30, 2009**

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

#### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

#### *Immaterial Misstatements Not Corrected by Management*

Management passed on the following adjustments:

- Record liability of \$3,964 in the Airport enterprise fund to properly account for interest payable associated with the notes payable.
- Record adjustment to cash and interest revenue to adjust cash to fair market value in various funds of the County.

Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated December 31, 2009.

## **COUNTY OF CALAVERAS**

### **Management Report Required Communication For the Year Ended June 30, 2009**

#### **Management Consultations with Other Independent Auditors**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



# COUNTY OF CALAVERAS

## Status of Prior Year Recommendations As of June 30, 2009

Fiscal Year Ended June 30,	Recommendations	Status/Comments
<b>ADMINISTRATION</b>		
2005	<u>Construction-in-Process – Written Accounting Policies and Procedures</u>  We recommend that the County Administration along with the Auditor-Controller develop standard accounting policies and procedures for construction projects. Consideration should be given to making this an amendment to the County's existing policy document concerning capital assets.	In Process
<b>AUDITOR-CONTROLLER</b>		
2006	<u>Financial Statement Preparation, Staffing and Turnover</u>  The County should examine and look for creative ways to recruit and retain qualified staff, including whether additional staffing is needed to manage the workload commensurate with increases in the volume of transactions managed by the department. We recommend that the County review its processes to determine whether others in the department can be cross trained to assist in the preparation of the financial report.	Corrective measures taken. Budgetary constraints prohibit adding additional staffing resources
2008	<u>Timeliness of the Annual Financial Report</u>  We recommend hiring additional accounting staff so that those responsible for financial reporting will have more available time.	Not implemented. Budgetary constraints prohibit adding additional staffing resources
2008	<u>Disaggregation of Receivables</u>  We recommend that the County's closing entries to record receivables be modified to capture receivable balances into each of the various accounts according to their nature so that financial statement balances and disclosures can be derived directly from the County's general ledger without additional reference to external schedules and financial statement entries.	Implemented

# COUNTY OF CALAVERAS

## Status of Prior Year Recommendations As of June 30, 2009

Fiscal Year Ended June 30,	Recommendations	Status/Comments
2008	<u>Completeness of Receivables</u>  We recommend that the County consider additional steps in its year-end closing process to ensure material misstatements do not occur. Such steps might include training County departments to more readily recognize receivables and performing a risk assessment process for each receivable account to ensure its completeness.  <b>PLANNING</b>	Implemented
2003	<u>Trust Accounts</u>  We recommend that trust funds be reconciled at least monthly to the Auditor-Controller's records.	In Progress